



FSDAi AND FSD AFRICA AT A GLANCE

Founded in 2015 by FSD Africa and the UK Government through the Foreign Commonwealth Development Office, FSD Africa Investments (FSDAi) complements FSD Africa's market building mandate on the African continent:

- Operating from Nairobi, Kenya, with activities spanning the continent, FSD Africa's programming is designed to address systemic challenges within Africa's financial markets, with the aim of sparking large-scale and long-term change.
- FSDAi's mandate is to invest catalytic capital to build and strengthen Africa's financial markets and tackle climate change challenges through novel financing solutions.

Jointly the two organisations seek to **make finance work for Africa's future.**



THE FSDAi WAY

FSDAi invests **catalytic capital** across market-shaping financial instruments, intermediaries, and financial infrastructure with the objective to strengthen the architecture and diversity of Africa's **financial markets** with a view to supporting Africa's **sustainable green growth and developmental ambitions**:

- It focuses on three core functions of financial markets that are currently underdeveloped: capital markets, early-stage finance and risk (insurance) markets.
- It strives to drive finance to the real economy with a focus on businesses that offer climate-relevant solutions.
- It seeks to unlock domestic and international capital needed to realise Africa's climate and sustainable growth ambition.

FSDAi uses its catalytic capital to **test** innovative solutions, **accelerate** the use of transformational business models, and **mobilise** private capital. To achieve its objective FSDAi **takes risks**, offers **flexible financing terms** and is willing to play an **active investor role**.

TEST



Innovation and proof-of-concept: FSDAi's risk tolerance allows it to pursue new and innovative business models with transformative potential, driving the enhancement of capital markets through demonstration.



ACCELERATE



Expansion: FSDAi's risk tolerance allows it to pursue early-stage funds and enterprises with market transformation potential, to build and expand immature capital markets.



MOBILISE



Risk-sharing, catalysing and showcasing: FSDAi's risk tolerance enables it to take on risk in a capital stack that others cannot take, catalysing others by its ability to commit to first closes and share due diligence and showcasing investability to other investors.



WHAT PROBLEM IS FSDAi SOLVING?

Africa has the potential to offer solutions to financial challenges and climate change, leveraging its abundance of natural capital, youthful population, and expanding digital abilities. Not encumbered with a legacy industrial and financial system, the continent is flexible to integrate climate and biodiversity targets into its economy and financial systems.

- Africa's natural capital wealth was estimated at more than US\$6.2 trillion in 2018 (40% of the world's renewable energy resources), offering immense investment opportunities.
- Africa is the youngest continent on the planet with 60% of the population under the age of 25, offering a large workforce, skills, an entrepreneurial base and consumers for growth.
- Africa benefits from a growing pool of domestic savings (estimated at US\$2 trillion), offering opportunities to introduce new financial instruments.
- Africa is a driver in the acceleration of digital technology applications, offering pathways to scale finance and business solutions.



However, the financial sector is currently ill equipped to solve these problems given the absence of, amongst others, well-functioning and deep capital markets, the high cost of capital exacerbated by high real and perceived risks, reliance on foreign financial flows and inadequate hedging solutions, and weak pipeline of investible opportunities.

Working alongside FSD Africa, FSDAi's investments are meant to address current market constraints, backing market interventions that will permit better flows of finance for Africa's green economic growth opportunity.








WHAT WE HAVE ACHIEVED SO FAR

SIGNIFICANT EFFECT ON THE FINANCIAL SECTOR YIELDING SOCIETAL AND ECONOMIC IMPACT

FSDAi's impact hypothesis is:

 <p>Stronger, more efficient financial systems</p>	 <p>Capital available for business creation and growth</p>	 <p>Better quality jobs, economic opportunities, equitable access to basic services, reduction of human vulnerability and inequality, environmental benefits</p>
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Achievements as of June 2023:

 <p>£86.7m committed</p>	 <p>1 exit at 2X money</p>	 <p>19 transactions executed</p>
 <p>£1.2b long term finance made available in the market for SMEs</p>	<p>£218.5m additional investment finance mobilised through investments in the real economy</p>	 <p>£4.7b mobilised by investees</p>
 <p>4.9m people with improved access to basic services against target of 1.94m</p>	 <p>25,700 Jobs supported</p>	

FSDAi KEY FACTS

- Its portfolio consists of catalytic investments in three core areas to deepen financial markets:



Catalysing the **breadth of financial intermediaries** better suited to African markets e.g.:

- Establishing an asset class for alternative venture and climate intermediaries serving the pre-seed/start on businesses such as Women Investment Capital – WIC Senegal.
- Scaling the finance to serve the emerging digital economy such as OnAfriq, and through the Lendable SME fund and Nithio that finance digital finance companies.



Supporting the **financial infrastructure for capital and money markets** such as the East Africa Bond Exchange and Carbon Exchange – CAVEX.



Introducing **finance instruments to scale local and international finance** such as Infracredit Nigeria's Risk Sharing Back stopping facility, Africa Local Currency Bond Fund, Frontclear Money Market Guarantee, and the Acre Export Credit Fund.

FSDAi'S ENGAGEMENT WITH PARTNERS

To achieve real and lasting change to financial markets and effect long-term sustainable growth FSDAi engages to establish strong ties with allies on the African continent and form partnerships with key co-investors. FSDAi seeks to:



Create / co-create investable market-shaping deals for local and international capital by de-risking transactions through early commitment and/or risk capital - but also through the provision of local expertise, experience and a local presence and network.



Establish trusted co-funding arrangements and structures that **accelerate the flow of capital**.



Serve as an **onramp** for investors interested but not yet experienced in Africa to invest on the continent.



Share **knowledge and data** with the wider investment community to enhance investor confidence with the African continent.

Partnerships and collaboration can come in all forms and stripes and target distinct joint **focus areas** (such as thematic, sectoral or geographic mutual priorities) and/or encompass different aspects of deals (such as deal creation, pipeline sharing or sharing of market intelligence).

FSD AFRICA INVESTMENTS CONTACTS

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Partnership | Progress | Prosperity